Retirement Planning for Foreign Service Employees

This Notice is intended as a resource document for career Foreign Service employees covered by the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS). A separate retirement planning guide is issued for Civil Service employees. We ask that personnel offices destroy copies of the last Department Notice and retain extra copies of this year's Department Notice for purposes of counseling employees. This information is also available through the Department's Intranet Website: http://hrweb.hr.state.gov/ret.

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A. PLAN AHEAD

1. Retirement Planning Seminar

Employees in the Retirement Planning Seminar will learn about annuity, financial and estate planning, tax issues, health and well-being in retirement, volunteer work, continued employment and more. Experts in these fields will answer questions during a four-day period of sessions held quarterly in the Department. Spouses are particularly welcome to attend the seminar.

To attend a seminar an employee must be within 5 years of eligibility for voluntary retirement. Administrative and personnel officers who may find information imparted at the Retirement Planning Seminar useful for counseling employees overseas also are welcome to participate at any convenient time. All employees attending the seminar are on duty status during the days they attend. Eligible employees who are on home leave and transfer to a post outside Washington, or home leave and return to post, will be authorized 5 additional days of consultation to attend the seminar. No additional transportation costs will be authorized. Any questions about per diem should be addressed to the appropriate assignments division in the Bureau of Human Resources' Office of Career Development and Assignments (HR/CDA). Employees who plan to attend the seminar while back in the United States on R&R, personal or official travel other than Post Assignment Travel may now be authorized per diem, which must be requested through the employee's counselor in HR/CDA.

2. Job Search Program

Employees seeking full or part-time employment after retirement may direct inquiries to the Career Transition Center (FSI/TC/CTC, Room E 2101, SA-42, Telephone: 703-302-7407, FAX: 703-302-7416) about participating in the Job Search Program. Employees in the program will get help in deciding what they want to do next, assessing skills, values and interests, preparing resumes, developing a network of people who can help in seeking a job, sharpening interviewing skills, and learning how to negotiate for compensation and benefits.

Foreign Service employees of the State Department may participate in the Job Search Program during their last 60 days before retiring. Civil Service employees may participate during their last 30 days. The formal classroom part of the program lasts about 4 weeks. All participants may use the Career Transition Center facilities up to one year after retiring.

Before beginning the program, participants must agree to retire when the program ends. Those who have not taken the Retirement Planning Seminar must do so at the beginning of the program. Those who already have retired may take part in the Job Search Program during their first year of retirement, but they must have formally applied before retiring. Consultation days and per diem will not be authorized for the Retirement Planning Seminar when taken in conjunction with the Job Search Program.

3. Talent Bank

Those wishing to receive periodic lists of job leads may register in the Talent Bank by completing a registration form and sending it to the Career Transition Center. The lists can be sent to home addresses. Retired employees may retain active status in the Talent Bank for two (2) years following retirement, during which they may continue to receive the Newsletter and Job Leads if they so desire.

From time to time registrants may be contacted directly concerning possible employment opportunities. This service is open to all employees.

4. How to Apply

Employees who wish to apply for the Retirement Planning Seminar or Job Search Program should send the DS-755, Request for Training, to FSI/EX/REG giving name, grade, post or office, retirement eligibility date and the program to be enrolled in.

Those who apply for the Retirement Planning Seminar must include approval from a supervisor. Those who apply for the Job Search Program should include the scheduled retirement date. Schedules are announced periodically by Department Notice and by cable to overseas posts. They also are posted on the CTC Home Page.

The Talent Bank forms are available from the Career Transition Center in the Department or from the Administrative or Personnel Office at Post.

Employees who will be receiving Post Assignment Travel orders should advise HR/CDA of their plans to attend these programs by including the information in the TM Two proposed itinerary.

For more information, see new 3 FAM 6100 or call the Career Transition Center at 703-302-7407.

5. Estimating Your Annuity

(a) Credit for Service

Employees may receive full credit for any civilian service in the U.S.Government, provided the employee was hired by an appointment, rather than by contract. Service for this purpose includes temporary and Christmas appointments with the Postal Service, periods as a Peace Corps or VISTA volunteer, and service with other Federal agencies. Service under a personal services contract is not creditable for retirement purposes unless the employee specifically applied by 1/8/90 for retirement

credit for the PSC service under PL 100-238, and the application was approved.

Many employees had temporary appointments in the U.S.Government before beginning their careers in the Foreign Service. Service under these appointments is generally creditable without depositing retirement deductions for that service, but there is a small reduction in the annuity. Any service for which an employee received a refund of retirement deductions is not creditable unless the amount of the refund, plus interest, is repaid, except as explained below. If a refund of retirement deductions was paid prior to 11/1/83, interest only accrues at the rate of 3 per cent per year, so there is no urgency to making a redeposit (repayment). A new provision of law allows employees to receive credit for a period of service for which a refund of retirement deductions was paid (before 10/1/90) without making repayment. Under this provision, the annuity is reduced on an actuarial basis by the value of the redeposit, causing only a modest reduction in the annuity. (For example, failing to redeposit a refund of $7,000 would cause a monthly annuity reduction of only $32.)

Military service performed on active duty is also creditable in the retirement benefits. If the employee is receiving military retired pay when he or she retires under the Foreign Service Retirement and Disability System, the "old" FS retirement system (FSRDS), or the Foreign Service Pension System, the "new" FS retirement system (FSPS), the military service is not creditable unless the employee waives the military retired pay. (Military retired pay based on a disability incurred in combat, or reserve retainer pay which is payable at age 60 need not be waived for the military service to be credited.)

Military personnel began paying social security benefits on January 1, 1957. To offset the double credit for military service in both social security and Federal retirement benefits, the law requires payment of a military deposit, which is 7% of military earnings for service credited under FSRDS and 3% of military earnings for service credited under FSPS. If the employee joined the Foreign Service prior to 10/17/83, the military deposit is required for periods of military service performed on or after 1/1/77. If the employee joined the Foreign Service on or after 10/17/83, the military deposit is required for periods of military service performed on or after 1/1/57. A summary of details on deposits for military service credit is provided in Appendix IV. Employees who wish to make the military deposit should contact HR/RET.

(b) Extra Service Credit at Unhealthful Post

Any American Foreign Service employee who received either a new assignment or an extension of a new assignment, either of which was effective on or after February 16, 1990 is not eligible to elect extra service credit in lieu of post differential. Any valid extra service credit election made prior to that date will continue to apply for the duration of the current assignment. Likewise, any valid election made for a prior assignment will continue to be honored in the annuity computation. Employees under the FSRDS who made valid extra service credit elections will need to ensure that the post properly certifies and promptly submits OF-140, Election to Receive Extra Service Credit in Lieu of Post Differential, to HR/RET. No extra service credit can be allowed until this form has been received. Employees under the FSPS were never eligible to elect extra service credit at an unhealthful post, but those who transferred from FSRDS to FSPS will receive credit for any valid extra service credit elections made under FSRDS.

(c) Approximate Annuity Computations - FSRDS

Once seriously considering retirement, the employee can easily figure his/her own approximate annuity computation, using pay records (not taxable income, which may be different). To determine the average high three years of earnings (normally the latest three years), determine the total salary earned for the 36 months preceding the retirement date being used for the calculation, and

divide by three. The annuity is based on basic salary (includes authorized locality pay), which is the salary of the employee's class/step; it does not include overtime, post differential, danger pay or any other allowance. Using the service computation date (found in latest PAR printout), determine total time of creditable service, and add earned hours of sick leave to that (2087 hours equals one year). A rule of thumb is 176 hours equals one month of service. For an employee retiring under the Foreign Service Retirement and Disability System (FSRDS), multiply 2 per cent (.02) times this total. Then multiply the result by the average high-three total. For instance, 20 years of service would give a figure of 40 per cent or .4. With an average high-three earnings of $30,000, multiplying .4 times $30,000 would indicate an annuity of $12,000 per year. If the maximum survivor annuity is chosen, the annuity is then reduced by approximately 10 per cent.

(d) Approximate Annuity Computations - FSPS

Those who have switched to FSPS should use the FSRDS formula for the service prior to the date of change. This benefit should then be added to the FSPS benefit which is computed as follows. Each year of service under FSPS is credited at the rate of 1.7% of average salary (up to 20 years of FSPS service) and at the rate of 1.0% of average salary for any service performed under FSPS in excess of 20 years. (In other words, the 1.0% rate does not apply until the employee has worked for over 20 years under the FSPS. An employee who had 20 years under FSRDS and 5 years under FSPS has the annuity computed at the rate of 2.0% of average salary for each year of service under FSRDS and 1.7% of average salary for each year of service under FSPS.)

The amount of unused sick leave the employee had at the time of the transfer to FSPS may be credited in the FSRDS portion of the annuity, provided the employee had at least that amount at the time of retirement. If the maximum survivor annuity is chosen, the annuity is reduced by 10%.

Employees retiring under FSPS with an immediate, unreduced annuity prior to age 62, will be eligible to receive an annuity supplement until age 62. The supplement (currently estimated at $30 per month for each year of service under the FSPS) approximates the Social Security benefit. Eligibility for the supplement is subject to the Social Security Earnings Test.

(Detailed step by step procedures for estimating annuity benefits are provided in the worksheet in Appendix III.)

(e) The Alternative Form of Annuity (AFA)

What is the AFA or Lump Sum Payment at Retirement?

The AFA provides an eligible employee with an option of electing a lump sum payment equal to the employee's unrefunded retirement deductions and a reduced monthly annuity, in lieu of a regular unreduced annuity. (There is no reduction for the AFA in the rate of annuity payable to surviving spouse.) In general, the annuity of one who is eligible to elect the AFA is reduced by about 10-l5%.

Who is eligible to elect the AFA?

(1) Only Foreign Service and Civil Service retirement employees who are suffering from a life threatening illness or disease (who do not retire on disability) may elect the alternative form of annuity.

(2) All other employees are INELIGIBLE.

How is the lump sum payment distributed?

Employees under the FSRDS or the FSPS who have a life threatening illness are paid the AFA in one installment at retirement.

(f) Obtaining your Record of Retirement Deductions

Some retirees may wish to obtain the record of their retirement deductions while employed at the Department of State. In order to obtain this information, employees must write FMP/OCP/RAD, providing their name, date of birth, social security number, and dates of employment. Since the top priority of FMP/OCP/RAD is to authorize benefits to those who have already retired, employees who are requesting the amount of their retirement deductions should allow sufficient time for response (four weeks or more).

(g) Taxation of Annuity Benefits

Under the law, employees who joined the Foreign Service prior to 9/25/75 who retire on disability are not subject to Federal income tax. The annuity of all other employees who retire is fully taxable by the Federal government, but each employee is entitled to a tax deduction equal to the amount of the employee's retirement contributions. This tax deduction is distributed over the lifetime of the annuity; only a portion of the total contributions can be deducted from the taxable income each year. For example, if a single employee had a life expectancy of 20 years, 5% of the

retirement contributions could be deducted from the taxable portion of the annuity.

In general, about 85% to 90% of the lump sum payment under the AFA is fully taxable the year in which it is received. However, recent legislation (PL l02-3l8) provides that if this payment is dated on or after January 1, 1993, the taxable portion of the AFA payment can be "rolled over" to an Individual Retirement Account (IRA). In addition, interest on any refund (dated on or after January l, l993) of retirement deductions withheld after 35 years of service can be rolled over to an IRA. Any lump sum benefit that is not rolled over to an IRA shall be subject to automatic Federal income tax withholding of 20% of the taxable portion of that payment. The retiring employee has 60 days to roll over the payment to an IRA. Thus, if the payment is not sent directly to an IRA, the 20 percent tax withholding applies, but the employee can, within 60 days of the date of the payment, roll over the payment to an IRA and recover any taxes due when the tax return is filed.

Employees who retire before the year in which they reach age 55 and elect the AFA are subject to a tax penalty of 10% of the amount of the taxable portion of the lump sum payment. Details about taxation of annuity benefits or the AFA are explained in IRS Publications 575, 590, and 721 which are available from the IRS.

The Retirement Accounts Division will withhold Federal income tax at the withholding rate applicable for a married employee with 3 dependents (total of 4), unless the employee requests another rate of withholding. Each retiree must estimate his or her own state income tax liability and specify the amount of state income tax to be withheld. Some states have no income tax, while others exempt all or a portion of Federal annuity benefits from state income taxes. A list of these states is available in HR/RET.

(h) Policy on Preparation of Annuity Estimates

HR/RET will do whatever it reasonably can to assist retirees in planning for retirement and will provide an annuity estimate for all those who have submitted an application for retirement, or are seriously considering retirement within the next six months. Those who are not seriously considering retirement are asked to use the worksheet at the end of this notice in estimating their own benefits.

6. Lump-sum Payment of Annual Leave

Retirees will be paid a lump sum for all annual leave to their credit on the last day of employment. However, members of the Senior Foreign Service should note that a change in the law places a 90-day (720-hour) cap on the amount of annual leave that can be carried forward on a new leave year. A "grandfather" clause in the legislation allows senior executives who had more than 720 hours of annual leave as of October l4, 1994 to retain (or carry forward) the amount until they use the leave, or separate from Federal service. Whenever the annual leave balance of senior executives with over 90 days' leave as of October l4, 1994 declines, that employee's personal cap also declines until it reaches the 90-day limit. Of course, any senior executive who retires on or before January 13, 2002 is not affected by this cap, and will be paid the full balance of annual leave accrued to his or her credit.

In order to compute the approximate lump-sum payment of annual leave, divide the base salary by 2087 to obtain the hourly rate of pay and multiply this rate by the projected number of hours of annual leave.

7. Thrift Savings Plan

(a) Contributions

All employees under FSRDS and FSPS are eligible to participate in the Thrift Savings Plan, which provides an opportunity to make tax-deferred investments in five accounts: a common stock fund, a bond fund, a government securities fund and two new funds: a small capitalization fund and an international fund. Under a new law, employees under FSRDS may contribute up to 6% of their salary to the TSP; employees under FSPS may contribute up to (a) 11% of their salary, or (b) a ceiling set by the IRS which is $10,500 in 2001, whichever is less. Employees under FSRDS do not receive any government contribution towards the TSP account. Employees under FSPS receive an automatic government contribution of 1 per cent of salary, and the government also matches the first 3% of their contributions $1.00 for $1.00, and the next 2% of their contributions $.50 for the $1.00. Thus, an employee under FSPS who contributes 5% of salary to the TSP will receive government TSP contributions of 5%.

*Unlike participants of the Civil Service Retirement System (who are eligible to make voluntary contributions to the CSRS), Foreign Service participants are <u>ineligible</u> (Public Law 94-350, 7/l2/76) to make voluntary contributions to the FSRDS or the FSPS. Participation in the TSP is the only government-sponsored investment option available to Foreign Service employees.

Investment Fund Options

There are five investment funds: the Government Securities Fund, known as the Government or (G) Fund; the Common Stock Fund, known as the Stock or (C) Fund; the Fixed Income Fund, known as the Bond or (F) Fund; the Small Capitalization Stock Index Fund, or (S) Fund and the International Stock Index Fund, or (I) Fund. Employees are free to allocate their TSP investments (and agency contributions) in any fund, at any time by using the TSP Website or Thriftline or by mailing a TSP-50 to the TSP record keeper.

Borrowing Options

Employees who participate in the TSP can borrow from their own contributions for any reason. Interest accrues on the loan at the rate of return on the Government Securities Investment (G) Fund at the time the loan application is received at the TSP Service Office.

TSP Lost Earnings

Employees are reminded that the regulations now allow employees to be reimbursed for "lost earnings" due to administrative errors in processing valid TSP elections, errors in retirement code, etc. Any employee who believes he or she is entitled to lost earnings under the TSP should write HR/RET and provide as much documentation as possible. FMP/OCP will determine whether lost earnings are payable, notify the employee and coordinate processing of any amounts due.

(b) Withdrawals

When an employee retires, he or she may immediately withdraw the amount in his or her TSP account, or defer withdrawal of the account. The TSP will be notified that the employee has retired and HR/RET will provide the employee with the forms necessary to withdraw monies from the TSP Service Office in New Orleans. An employee may withdraw the TSP account in many ways which include a single lump sum payment; a series of equal lump sum payments; a monthly annuity with or without a survivor benefit, and with or without a cost-of-living adjustment. TSP withdrawals are fully taxable, but an employee may defer taxation by rolling over a TSP account into an Individual Retirement Account (IRA). An employee who retires before the year in which he or she reaches age 55, and who withdraws a TSP account in a single payment or a series of equal payments will be subject to a tax penalty on amounts withdrawn before age 59-1/2.

Additional information on the TSP may be obtained by contacting the National Finance Center on (504) 255-6000 or by visiting the TSP website: WWW.TSP.GOV.

B. ONCE YOU DECIDE

1. Get Prepared

Retiring involves a series of actions, all required by statute, by various offices within the Department and by outside agencies. Designated forms and documents have to be fully and accurately completed by the retiring employee and by the Department before final salary and annuity payments can begin.

2. Retirement Counselors

Foreign Service employees have a retirement counselor (determined by alphabet) in HR's Retirement Office (HR/RET, Room H-620, SA-1,(202) 261-8960). That counselor provides employees in the Washington area the forms that need to be completed to begin retirement processing and serves as a guide for all throughout the retirement process. The counselor works closely with HR/CDA (Office of Foreign Service Career Development and Assignments) which, after retirement is approved, initiates the separation orders that allow travel and shipment of effects. Additional questions concerning the retirement process may be directed to HR/RET on (202) 261-8960. Our office is located in Room H-620, SA-1. Our FAX number is (202) 261-8988.

3. Employees Overseas

Once Foreign Service employees serving overseas have decided on a firm retirement date, they should obtain from the administrative section forms OF-136 (Application for Retirement) and OF-126 (Residence and Dependency Report) and pouch them to HR/RET, together with a copy of the latest earnings and leave statement. The employee should cable RET the date of pouching, along with a travel itinerary so that RET will know where to send the initial retirement letter indicating formal approval of the retirement and the required forms necessary to initiate the annuity. Information copies of this cable should be sent to HR/CDA/SL, HR/CDA/ML or HR/CDA/EL as appropriate.

4. Choosing a Retirement Date

(a) FSRDS Annuitants

In order for FSRDS annuities to start the day following retirement, the date of retirement must be one of the first three days or the last day of a month. Selection of any other date means the annuity does not start until the first day of the month following retirement. Salary is payable on a normal workday basis, while an annuity is pro-rated on a 30-day month regardless of the number of days in the month. Therefore, if the first falls on a Friday, that may be the best date to retire, since the annuity would start on Saturday, the second. However, if the third is a Friday, that would be a better date since the employee would be receiving salary rather than annuity for two more days. Also, if the last day of the month ends a pay period, that may be a better date. The selection of a date also figures into the service credit time, and may affect the reduction under the alternative form of annuity, which is based on the age at retirement. Each individual case is different, but the retirement counselors in HR/RET can advise as to what date is best as far as service time is concerned.

(b) FSPS Annuitants

In general, the annuity of employees who voluntarily retire under FSPS will begin the first of the month after the month in which the employee retires. Therefore, FSPS retirees should plan to retire on the last day of the month so that their annuities will begin the next day.

5. Annuity Payments

A Foreign Service retiree can normally expect that the first annuity payment will be sent 30 days after retirement--if all the required forms in RET's initial retirement letter (see No. 3 above) are returned to RET before the 5th of the month following retirement. For example: Retirement is effective 6/30, the annuity commences 7/1, and the first payment is dated the first business day of the following month; i.e., 8/1. The monthly payment must be via Electronic Transfer of Funds to a bank account.

6. Retire Overseas?

Those employees retiring abroad who do not stop in Washington will need to communicate with their retirement counselors via mail and other methods of communication and arrange for all out-processing, including physicals, to take place outside Washington or, if stopping in Washington, on their own time. Employees retiring overseas are eligible for the Job Search Program during the first year after retiring, but they must formally apply before retiring.

The FY-92/93 State Authorization Bill, signed into law on 10/28/91, ended prospectively the provision for adding the salary differential to the lump sum payment of annual leave payment for those who retire overseas. This legislation applies to those who arrived at post on or after 10/28/91.

7. Separation Address

A Foreign Service employee's final separation address given on the Residence and Dependency Report (Form OF-126) can be anywhere in the United States and its territories. The choice must be made before the effective date of retirement and before travel orders are processed. No changes can be made after the last day in pay status. The address indicated in Block 8 of the OF-126 is the location to which separation travel orders will be issued, and is not necessarily the same as your correspondence forwarding address. If the employee’s last duty station prior to retirement is Washington, D.C. and an address in the D.C. commercial zone is listed in Block 8, no separation travel orders will be issued.

8. Travel and Shipment of Effects (Reference 6 FAM 133.2-2)

(a) Time Allowed to Travel and Ship

When an employee is separated from the Service and qualifies for travel and shipment of effects, the actual departure of the employee, the departure of the employee's family, and the transportation of all effects shall not be deferred more than 12 months (6 months if separation is from a domestic assignment). The time limitation will be calculated from the employee's last day in pay status, unless an earlier or later limitation is specified in the travel authorization or the time limitation is extended. An extension may be granted. However, the maximum time for an extension cannot exceed a maximum of 18 months after the employee's last day in pay status, regardless of whether separation is from an overseas or domestic assignment. Requests for extension of time allowed to travel and ship should be submitted to the appropriate personnel assignments technician in HR/CDA/AD. No exceptions beyond 18 months can be made.

If travel or transportation of effects is interrupted for personal convenience, the final departure of persons and effects from any point(s) of interruption must take place within the time limitation specified in the separation order.

(b) Travel Orders and the End of the Fiscal Year

If your retirement date falls near the end of the fiscal year (September 30), it may affect the issuance of your travel orders.

For retirement travel beginning overseas, an expense (packing of effects, purchase of an airline ticket, etc.) must be incurred in the fiscal year in which the orders are issued. If orders are issued and no expense is incurred by September 30, the orders would have to be cancelled and reissued in the next fiscal year (an unnecessary obligation of funds). If you plan to delay the beginning of your travel more than two weeks into the new fiscal year, your orders should be issued in October rather than in September. Early submission of your travel plans will assist in determining which fiscal year should be charged.

On domestic retirement orders (from a duty station in the United States), all expenses are charged to the fiscal year in which the orders are issued. If you are retiring from a duty station in the United States, your travel orders should be issued in the fiscal year in which the first expense will be incurred. If you plan to retire at the end of September or early in October, you should let your personnel technician in HR/CDA know when you will be traveling and packing out. If you do not need to incur any actual expense before September 30, your orders will be held for issuance with the new fiscal year funds.

(c) Ship Effects Only to Final Destination

Warning:

An Employee should not ship effects against the separation order unless they are certain the place of separation specified is the final destination. While he/she is authorized to attend the retirement seminar and is allowed to change the place of separation prior to the actual date of separation, the employee will be allowed shipment only from their old post to the final destination. For example, an employee at Canberra gives Washington, D. C. as the separation address; orders authorize shipment to

Washington. If the Separation address is undetermined, effects should be sent c/o temporary storage through the Despatch Agency nearest to post.

<u>(d) Time HHE May Remain in Temporary Storage: (Reference 6 FAM 176.1 Periods of Temporary Storage)</u>

For effects originating overseas or in the United States (other than from continuous or permanent storage), the aggregate period of 90-days authorized may be applied to storage-in-transit (SIT) at origin, en route or at the final destination. The employee must give the origin post specific instructions on the storage-in-transit locations and aggregate time periods, if applicable. This entitlement applies to each separate lot of household effects.

<u>(e) Time HHE May Remain in Continuous or Permanent Storage (6 FAM 177 Continuous Storage)</u>

For effects in continuous/permanent storage in the United States or the authorized storage location in Antwerp, Belgium, 90-days of authorized storage commences from the last day in pay status. If the employee/retiree does not instruct the Department to forward the effects to their place of separation within the authorized 90-day period, he/she must arrange to assume the recurring storage charges at personal expense until the effects are shipped or delivered to the final destination.

<u>(f) Extension of Storage Authorization (Reference 6 FAM 111 Exhibit 111(12)C Laws Relating to Travel and Transportation of Effects</u>

In extraordinary circumstances, an additional 90-days of storage may be granted. Extension requests are sent to the employee's personnel technician in HR/CDA/ASD, and must be submitted before the original entitlement expires. The submission must outline in detail the reason(s) for the request (e.g. medical condition of the employee or spouse delaying settlement of affairs). The request must also specify if the extension should apply to storage of effects in transit (SIT), permanent storage or both.

<u>(g) Weight Allowance for Shipment and Storage of Effects: (6 FAM 163)</u>

The combined shipment and storage of effects allowance has been established at the statutory limit of 18,000 pounds, net weight, for each employee, regardless of family status. On return to the United States, an employee departing a furnished, limited shipment post will be authorized the appropriate limited shipment allowance of 7,200 pounds), in addition to the net weight of effects in storage not to exceed the statutory limit of 18,000 pounds.

(h) Shipping/Moving Prohibitions (Reference 6 FAM 168.5 Prohibitions in Connection with Resignation, Retirement or Separation)

Upon an employee's resignation, retirement or separation from the Service, everything need not be shipped at once. However, shipments must not be deferred more than 12 months as noted in 8(a) above. In addition, the Government only provides transportation for effects (including a privately owned motor vehicle) that were the property of the employee or a family member while the employee was in an active duty status in the Service. Effects (or a motor vehicle) acquired en route to a place of residence upon separation will not be transported at government expense.

A certification of compliance with this section is required on the employee's travel voucher.

(Please note: a separation travel authorization to move within a metropolitan area cannot be authorized. Therefore, the Government can not provide for the transportation of effects from an employee's present residence to a new residence within the same metropolitan area.)

(i) A Travel Voucher Must Be Filed (Reference 4 FAM 465.1 Traveler's Responsibility)

A travel voucher must be filed upon arrival at the retirement location. Also, please refer to 6 FAM 113 Official Travel Expenses, and 6 FAM 115, Traveler's Responsibility. Send completed voucher to: Department of State, F/DFS/FO/PD/TV, SA-15, l800 N. Kent Street, Arlington, VA 22219.

(j) Consultations in Washington

Retirees are normally authorized three days consultation in Washington en route to the separation address. No per diem can be paid for consultations in Washington, D.C. if the residence for service separation is within the Washington, D.C. metropolitan area (see 6 FAM 156.6-1c). Dependents are not authorized consultation in connection with a separation order. Dependents may travel via any route; however, reimbursement for travel expenses will be based on the cost of transportation from last post of assignment to service separation address only. If the employee plans to have the separation medical exam performed in Washington, D.C., it should be scheduled during the consultation period.

C. GET THE PAPERWORK DONE

1. Start Early

Separation travel orders will not be sent until the retirement has been paneled and the employee has submitted TMTwo proposed itinerary (if retiring from an overseas post). Panel action cannot take place until the retirement application has been approved and the final residence and dependency report (Form OF-126) is received. HR/RET's letter of retirement approval enclosing all the forms needed to get an annuity started is generally sent from 1 to 3 months prior to the effective date of retirement.

This letter will also include information on benefits payable to the spouse or former spouse of the retiree. The time it takes to complete the process can vary, depending on whether the Department's records are up-to-date. Employees can help by making a habit of reviewing the accuracy of their earnings and leave statements and most recent personnel actions (SF-50). Retirement counseling well before the requested date of retirement will help speed the process along. Regulations require applications for retirement to be submitted 90 days before actual retirement. However, RET will strive to process late applications as quickly as its workload permits. Last minute applications may delay initial annuity payments.

2. Other Forms

Send or hand-carry to RET: a mailing address for the annual leave lump-sum payment, the DS-8A, Administrative Clearance, the DS-8, Fiscal Clearance, from the personnel officer at post (when at post) or the bureau executive office (needed to prevent delay in the annual leave lump-sum payment), and travel itinerary so that once the retirement is approved, RET knows where to send the letter containing the annuity forms.

3. Physicals/Disability Retirement

Separation examinations are required and should be initiated within 90 days prior to the planned retirement date and completed within 90 days after the retirement date (see 3 FAM 684.7-6 or 3 FAM 1937 of yet to be approved FAM’s). Examinations may be completed at post if adequate facilities exist. If physical exams are to be completed in MED in the Department while on consultation, make appointments with MED in advance via telegram (see State 008390). Those posted in Washington may telephone (202) 663-1779/1782 to arrange appointments.

Retiring employees’ dependents are also eligible for separation exams. However, since dependents are not authorized travel to Washington, such examinations may be completed at the separation address if not completed at post. Each retirement letter contains a statement of intent, or no intent, to apply for disability retirement. If disability retirement is not initially requested, application still may be possible within one year post retirement provided that it is determined that total disability existed on the date of separation from the Service (See 3 FAM 688 or 3 FAM 1950). If one became a member of the Foreign Service prior to September 25, 1975, a disability annuity is exempt from Federal income tax.

4. Annuity, Life Insurance, Health Insurance Coverage

HR/RET's retirement letter will provide detailed information to assist retirees in making decisions about: (a) choosing the full annuity or a reduced one with a survivor annuity; (b) the 18-month period in which to change a survivor election if the initial election provided less than the maximum survivor benefit;(c) choosing the regular or the alternative form of annuity, if applicable; (d) electing a health insurance change if returning from overseas or moving to an area covered by specific Health Maintenance Organizations. (As long as some FEHB coverage is maintained, retirees can change during regular health plan open seasons administered by RET.); (e) permitting all FEGLI life insurance coverage to continue as is into retirement or, using Form SF-2817, Life Insurance Election, keeping only selected options.

With respect to life insurance premiums, employees who are considering retirement may wish to note that an employee who is under age 65 will be required to pay a monthly life insurance premium during retirement ($.35.75 per $1,000 of coverage) for basic life insurance coverage. The premium will continue until the employee reaches age 65, when the value of the coverage will begin to reduce by 2% a month until it reaches 25% of its original value. Retiring employees who elect to have their basic life insurance coverage unreduced or reduced by 50% will continue to pay from retirement until death or cancellation an additional monthly life insurance premium. Under a new law, employees can keep Option B life insurance (multiples of salary) after age 65, without a reduction. Contact HR/RET for details.

D. LAST DETAILS

1. Getting Answers

HR/CDA issues separation orders based on the new OF-126 the potential retiree has submitted. Any questions about these orders or shipment of effects should be addressed to a CDA technician. All other questions will normally be handled by the Retirement Counselor in HR/RET.

2. ID and Passport

If coming to the Department, one should turn in diplomatic passports and ID cards to a Retirement Counselor in RET, Room H-620, SA-1, for cancellation. If not returning to the Department, one should check with the personnel officer at post prior to departure for disposition of ID cards and diplomatic passports.

3. Finishing Up

Submit final travel vouchers promptly to avoid delays in the lump-sum payment. Remember that with the exception of health and life insurance, all current allotments from salary (bonds, loans, IRAs, CFC) cease the date of retirement. Some will want to make other arrangements.

4. Checking Out

Employees should check out with the Employee Services Center (ESC), Room 1252, Department of State, 2201 C Street, N.W., Washington, D.C. 20520), either in person or by writing, and complete a new locator card showing the separation address. Also, advise the ESC whether Privacy Act information such as address and telephone number may be released.

E. AFTER RETIREMENT

1. Identification

All State retiring employees will get a courtesy "retirement" ID card from HR/RET which can be used for general identification purposes, and to obtain access to the first three floors of Main State and SA-1.

2. HR/RET Will Be Home Base

The Retirement Office (HR/RET) becomes the post-retirement personnel office for Foreign Service annuitants, including surviving spouses, and will process any changes of address and changes in the annuity due to divorce or death of spouse. Timely notification of marital changes is important in order that RET may convey pertinent law and regulation information for retiree, survivor(s), and/or former spouse(s). Please refer to Appendix VI for a summary of former spouse benefits.

Annuitant Direct

FMP, in partnership with OPM, implemented Annuitant Direct. Annuitant Direct is an innovative automated system that puts you in control of processing your own discretionary changes such as:

*Federal and State Tax Withholdings
*Change or Establish Voluntary Allotments
*Change or Start Direct Deposit
*Request a Duplicate Form 1099R
*Change Home Address

In order to access Annuitant Direct, you will need a touch-tone telephone, your Annuitant Direct PIN and your Social Security Number. After you retire, you will receive a confidential PIN from OPM. Currently, you can only receive a PIN and use Annuitant Direct if you reside in the continental United States.

3. Reemployment Limitations

Because of the possible effects on lump-sum payments, salary, and life and health insurance, FS retirees should consult with a knowledgeable personnel officer before deciding to accept reemployment as an annuitant with the Federal Government. Complete information on reemployment is provided by RET with their initial letter, and the retiree is required to sign an acknowledgment of receipt of the notice regarding reemployment. Any questions arising on the salary/annuity limitations can be directed to the Retirement Accounts Division on (703) 875-7110. Details on the provisions which govern reemployment of Foreign Service annuitants are provided in Appendix V.

(a) Deferred Lump-Sum Payment

If one is reemployed within 3 days of separation and subject to a leave system, payment of the lump-sum annual leave is deferred. Since the lump sum payment then will be based on the salary in effect at the time of the next separation, it may be lower than the one which originally would have been received. Moreover, the retiree will have to repay all or a portion of a lump sum if reemployed with the Federal Government within the annual leave period covered by that payment. Under OPM's regulation, an employee's appointment as WAE (When Actually Employed) would not delay or impact the payment for unused annual leave.

(b) Effect of Government Employment on Annuity

In the event of reemployment on a part-time, intermittent, or temporary basis, the employee must notify the Retirement Office, HR/RET. Reemployed annuitants under these types of appointments, are entitled to the salary of the position in which reemployed plus that amount of the annuity, the total of which does not exceed, in any calendar year, the full-time basic pay of the reemployed position or the basic pay at time of retirement, whichever is greater. Upon termination of reemployment, payment of the annuity resumes with any intervening cost-of-living adjustments.

(c) Annuity Suspended for Full-time Government Service

If one is reemployed on a full-time basis, payment of the annuity is suspended and the reemployment service is covered service under the rules of the retirement system under which the appointment is made. If reemployed by the Government, it takes 5 years to vest under a retirement system before an employee again becomes eligible to continue coverage into a second retirement.

(d) Life and Health Insurance Concerns Related to New Employment

Retirees should discuss life and health insurance coverage with a personnel officer of the new agency or private employer and an RET retirement counselor before accepting employment. A retiree must elect to continue health and life insurance coverage during reemployment; otherwise, he or she will lose the health and life insurance coverage he or she had at retirement.

4. Retirement Plaque and Pin or Charm

The Department provides each State retiree with an attractive walnut plaque, engraved with the retiree's name and time of service. In addition, women receive a charm and men a pin. Retirement counselors will see to it that these awards are received by retirees.

Any employee who has suggestions or recommendations for improving the retirement programs administered within the Department should contact HR/RET. Any suggestions offered are welcome and appreciated.

5. Unemployment Compensation

Some employees who retire may be eligible for unemployment compensation. Eligibility for unemployment is determined by the state. A person who voluntarily leaves work without good cause is reason for disqualification for unemployment benefits. Some state laws provide that the worker’s reason for leaving must be work related. However, in other states, good cause for quitting a job may be established if the departure was for either personal or work-related reasons as set forth in state law.

APPENDIX I

Eligibility Requirements For Benefits Under the Foreign Service Retirement Systems

Type of Retirement:

Voluntary: FSRDS: Age 50/20 years service*
FSPS: Age 50/20 years service*

Age 55/l0 years service****

Deferred: FSRDS: Age 60/5 years service**
FSPS: Age 62/5 years service***
Age 55/10 years service****

Involuntary (Sections 607, 608, 611 and 8l3 of FS Act):

F0-1 and Above: FSRDS & FSPS are eligible for immediate annuity regardless of age and service.

F0-2 and Below: FSRDS & FSPS are eligible for immediate annuity provided the age and service requirements for voluntary retirement are met at the time of the involuntary retirement.

Mandatory: FSRDS and FSPS (Section 8l2, FS Act): age 65/5 years Service. FSRDS and FSPS (Section 812, FS ACT): age 57/20 years Law Enforcement service, if covered by PL 105-382.

Disability: FSRDS: any age/5 years civilian service
FSPS: any age/l8 mos civilian service

* Requires at least five years of service in the Foreign Service.

**An employee covered by FSRDS with five years of service is entitled to an annuity upon separation from service if then 60 or older.

***An employee covered by FSPS with five years of service is entitled to an annuity upon separation from service if then 62 or older.

****Minimum Retirement Age (MRA) eligibility provisions.

APPENDIX II

COMPUTATION OF BENEFITS UNDER THE FOREIGN SERVICE RETIREMENT SYSTEMS

BASIC ANNUITY (Voluntary/Involuntary Retirement)

FSRDS: 2% of High 3 Average Salary for Each Year Service, including sick leave. (2.5% of High 3 Average Salary for each year of law enforcement service, up to 20, if covered by PL 105-382.)

FSPS (with FSRDS component to annuity): 2% (or 2.5%, see above) of High 3 Average Salary for FSRDS service, including the sick leave balance at transfer plus l.7% (up to 20 y) of High 3 Average Salary for FSPS Service.

FSPS (without FSRDS component to annuity): l.7% of High 3 Average Salary. (see below)

Notes on FSPS benefits:

l. More than 20 years of FSPS Service: The l.7% factor only applies for the first 20 years of FSPS service; after 20 years of FSPS service, the service factor is l.0% of high-3 average salary for FSPS service (in excess of 20 years). For example, if one has l0 years of FSRDS, and 25 years of FSPS, the factors are (l0 x 2%) plus (20 x l.7%) plus (5 x l%) = 59% of high 3 average salary.

2. When the l.7% Factor Does not Apply: If an employee under FSPS (a) does not meet the 50/20 requirement, and (b) is not separated involuntarily (age 65, time in class, or involuntary separation from Presidential appointment), the service factor is l% of high 3 average salary for all FSPS service. For example, if one voluntarily retires at age 62 with l0 years of FSPS service, the annuity is l% (not l.7% of high 3 average salary).

3. Each Employee Has Only One High 3 Average Salary: The High 3 Average Salary is not computed separately for FSRDS and FSPS service. The same High 3 Average Salary, usually the last 3 years, is used in calculating both the FSRDS and FSPS components to the annuity.

4. Special Formula Under the MRA Provisions: If an employee retires under the FSPS Minimum Retirement Age provisions, the basic annuity is 2% of High 3 Average Salary for the FSRDS service and l% of High 3 Average Salary for the FSPS service. This basic annuity is reduced by 5% for each year the employee is under age 62.

5. Annuity Supplement: An annuity supplement is payable to employees retiring under FSPS who (a) meet the 50/20 age and service requirement and (b) are under age 62 and (c) whose earned income (excluding pensions) after retirement is less than about $l2,000 a year. The annuity supplement is approximately $30 per month for each year of service the employee has under FSPS. For example, an employee with l5 years of FSRDS service and 5 years of FSPS service would receive an annuity supplement of about $l50 per month.

APPENDIX III

Basic Annuity Estimation Worksheet (PL 105-382 Not shown)

A. Enter high-three average salary. (An estimate would be current basic pay, exclusive of allowances and differentials, less $3,000.00.)

B. Add up service credits, including sick leave and any certified unhealthful post credit (1.5 times service performed). If Service Computation Date (SCD) is known, an easy way to compute basic service, exclusive of sick leave and extra credit for unhealthful post, is to subtract the SCD from today's date. For example, if the SCD is June 1, 1966 and today's date is December 1, 1996, the employee would have 30.5 years credit (30y 6m).

C. Multiply total service in Step B (not to exceed 35 years, exclusive of sick leave) by 2% (.02). For example, 24.5 years = 49%. [If transferred to FSPS, use multiplier of 1.7% (.017) for each year of FSPS service instead of 2% (.02).]

D. Multiply average salary in Step A, by factor(s) in Step C to obtain annual basic annuity benefit. If transferred to FSPS add the FSRDS annuity to the FSPS annuity to produce a basic annuity benefit. If not electing a survivor benefit, divide this amount by 12 to find the monthly annuity.

E. If electing the maximum survivor benefit, multiply the amount in step D by 90% (.9). If under FSRDS add $270.00 after multiplying by .9. This will yield the annual basic annuity, after reduction for the survivor benefit. Divide by 12 to find the monthly annuity.

F. To obtain the annual survivor benefit, multiply the amount computed in Step D by 55% (.55). If under FSPS, multiply that amount by 50% (.5) instead of 55%. To obtain the monthly survivor benefit, divide by 12.

APPENDIX IV

Deposits for Military Service Credit
Foreign Service Retirement and Disability System (FSRDS) & Foreign Service Pension System (FSPS)

Military Service Credited in FSRDS Benefits

Date First Employed Under FSRDS	Date First Employed in USG in Civilian Capacity	7% Deposit Due for Military Service	Interest Begins to Accrue
Before 10/17/83	N/A	After 12/31/76*	10/17/85
After 10/16/83	Before 10/1/82	After 12/31/56*	2 Years after the later of 10/17/83 or date first under CSRS/FSRDS
After 10/16/83	After 9/30/82	After 12/31/56**	(same as above)

Military Service Credited in FSPS Benefits***

3% Deposit Due for Military Service	Interest Begins to Accrue
After 12/31/56**	1/1/89 or 2 years after Date first employed under FERS/FSPS, whichever is Later

*If military deposit is not paid, post 1956/76 military service is not available for credit if employee is 62 and eligible for social security.

**If military deposit is not paid, post 1956 military service is not available for credit at anytime.

***If an employee voluntarily switched to FSPS (or FERS) after performing at least 5 years of civilian service under the old retirement system (FSRDS or CSRS), and the military service was performed before the change to FSPS (or FERS), the military service is credited under the rule "Military Service Credited in FSRDS Benefits".

APPENDIX V

Summary of Provisions Governing Reemployment of Foreign Service Annuitants

Q-1: What provisions govern the reemployment of FS annuitants?

A-1. There are <u>two basic provisions</u> for adjusting benefits when a FS annuitant receiving retirement benefits under FSRDS or FSPS is reemployed. The first provision, suspension of annuity during reemployment, applies when the annuitant is hired in a full-time, career appointment on or after 1/1/87. The second provision, continuation of benefits subject to the salary/annuity limitation, applies when the annuitant has been continuously reemployed from a date prior to 1/1/87 or when the annuitant is reemployed in a part-time (less than full-time); temporary (less than career); or intermittent (WAE) basis.

Q-2: What constitutes reemployment on a part-time, intermittent or temporary basis?

A-2: An appointment is considered part-time when the regular tour of duty is less than a full-time appointment of 40 hours per week. An intermittent, or WAE (when actually employed) appointment is an appointment without a regularly scheduled tour of duty. A temporary appointment is understood for this purpose as any appointment which (1) is less than permanent or career in nature and which (2) (a) imposes a time limitation, or (b) excludes the individual from retirement coverage under a Federal retirement system. In general, the appointment must be limited to one year or less, but some temporary appointments may exceed one year and still qualify as temporary for this purpose.

Q-3: What is the "cap" on the salary/annuity earnings?

A-3: The salary/annuity limitation or "cap" on earnings is the higher of (a) the salary at the time of retirement, or the (b) full-time salary of the position in which reemployed. Please note the salary at the time of retirement is not adjusted for inflation, but the full-time salary of the position in which reemployed will change when an employee receives pay increases.

Q-4: What types of earnings are considered in determining whether the salary/annuity limitation is reached?

A-4: With regard to payment of annuity, any annuity that is received (or scheduled for receipt) within a particular calendar year is considered income for purposes of the salary annuity limitation. The lump-sum payment under the alternative form of annuity (AFA) is not however considered income for purposes of the salary/annuity limitation.

With regard to salary, any post-retirement income which is part of basic pay, which is received or (scheduled for receipt) within a given calendar year is

considered income for purposes of the salary annuity/limitation. Lump sum payments of annual leave, salary differentials, etc. are not considered income for this purpose. Payments which are normally payable on a given date are considered income even if the check was lost or otherwise not negotiated during the particular calendar year.

It is also useful to note that the determining factor is whether the income was received during a particular period. The date the income was earned does not affect the salary annuity limitation.

Q-5: Do payments to former spouses, either by statute or court order, constitute the retired annuitant's income?

A-5: Yes, any payment to a former spouse which reduces the amount of annuity payable to the retired annuitant, or any deduction from the gross amount of annuity (for alimony, child support, etc.) is considered income of the annuitant.

Reductions in the basic annuity, which are factored in computing the gross annuity payable to a retired employee, are not considered income of the annuitant. For example, if the annuity were reduced by a factor of 10% to provide a survivor benefit, the amount of the reduction would not be considered in the annuitant's income. Likewise, if the annuity is reduced for an unpaid deposit, the rate of annuity after reduction for the unpaid deposit is the amount used in determining post-retirement income.

Q-6: Over what period is the salary/annuity limitation applied?

A-6: The salary/annuity limitation begins to take effect when the employee retires; therefore, income received prior to the commencing date of the annuity is not considered in the salary/annuity limitation. The law provides that the salary/annuity limitation is determined on a calendar year basis; the salary annuity/limitation is not prorated during the first calendar year of retirement.

Q-7: Does service under a personal service contract qualify as employment for purposes of Section 824 of the FSA, as amended?

A-7: No. Individuals who are hired after retirement under a personal services contract are not considered Federal employees; therefore, the annuity of such an annuitant is not adjusted. If an appointment is effected through the contract and the individual is considered a (Federal) employee by the employing agency, the person is treated as an employee for purposes of Section 824 of the FSA.

Q-8: Where may I obtain further information about reemployment of FS annuitants?

A-8: Information about policies which govern the impact of reemployment upon the annuity may be obtained from HR/RET, Room H-620, SA-1, (202) 261-8960. Information about the adjustments made or income received in any particular case should be directed to FMP/DFS/OCP/RAD, Room 6114A, SA-15, (703) 875-7110.

APPENDIX VI

Summary of Benefits Payable to a Former Spouse Upon Divorce

If a participant in FSRDS/FSPS becomes divorced on or after 2/15/81, the former spouse may be qualified for benefits, provided that (a) the former spouse was married to the participant for at least l0 years during the participant's federal creditable service (and 5 of the l0 years occurred while the participant was a member of the Foreign Service), and (b) the former spouse has not remarried prior to age 55, and (c) the former spouse has not expressly waived the benefits described herein. The former spouse is entitled to:

-- A pro rata share of 50% of the gross annuity benefit of the participant, AND

-- A pro rata share of the maximum survivor benefit (55% of the unreduced benefit under FSRDS or 50% of the unreduced benefit under FSPS), AND

-- Health insurance coverage as a former spouse under the FEHB Program. (If the former spouse will be entitled to any share of the participant's annuity or survivor annuity, and applies for coverage within 60 days of the divorce, the former spouse can remain enrolled in the FEHB coverage for the rest of his or her life, provided premiums are paid and the former spouse does not remarry before 55. If the former spouse does not qualify for any of the participant's annuity or survivor annuity, the former spouse can still qualify for coverage under the FEHB program under P.L. 100-654, for a period not exceeding 3 years.)

Pro Rata Share means a share representing the amount which accrued during the duration of the marriage. The formula for determining a pro rata share is the

Years of Marriage During Federal Service
Divided by
Years of Federal Service

A divorced spouse who does not qualify for the statutory benefits may still be entitled to a share of the participant's annuity or to a survivor annuity if a valid court order so provides.

The valid court order/notarized spousal agreement needs to be submitted to RET as soon as possible after the divorce so that an official determination of benefits may be made. Please consult with HR/RET for any additional information regarding benefits to former spouses.